
Approval of BEP Unit Costs

The Background:

The Basic Education Program (BEP) funding formula is comprised of three major funding components: Instructional (65% state share), Classroom (75% state share), and Non-classroom (50% state share). Funds generated within these components are derived by use of unit costs.

The instructional component was created during the 2005 fiscal year as a result of the Supreme Court's ruling in *Small Schools III*. Subject to appropriations, the unit cost for instructional salaries is projected to be \$35,027. The instructional salaries unit cost has been adjusted for the projected 1% state salary increase, but has not been adjusted for the state-wide change in training and experience. The Department anticipates this adjustment to be approximately .6%. The instructional insurance unit cost, as determined by F&A is \$4,335.59. The instructional retirement rate for the 2006 fiscal year is 5.5%, unchanged from the prior year.

Subject to appropriations, the Governor's budget includes an additional \$11 million in at-risk funding. The budget proposal moves at-risk funding from its current instructional funding level (65% state share) to the classroom funding level (75% state share). Based on current estimates, the BEP formula is generating approximately \$23.3 million for at-risk funding. For the 2006 fiscal year, these funds plus the additional \$11 million will be moved to the classroom component and divided by the number of at-risk students (determined based on USDA free- and reduced-priced lunch guidelines) to determine a unit cost. The Department estimates that the unit cost for at-risk funding will be approximately \$512.

All other unit cost amounts for the classroom and non-classroom categories are attached.

The Recommendation:

Subject to appropriations, the Department of Education recommends approval of the BEP unit costs, including at-risk funding, for the 2006 fiscal year on final reading. The SBE staff concurs with this recommendation.